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The Executive **PURCHASER**

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IN CORPORATION MANAGEMENT



COORDINATOR EASTMAN — Would save \$75,000,000 . . . See page 7

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- 1934. Introduced Boron Carbide (B₄C) hardest known substance except the diamond.*

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PURSUANT to an order of the United States District Court all of the machinery, equipment and inventory of Grigsby-Grunow Company is now being sold by the Trustee. An immediate inspection of the property is urged as sales are being made daily to many of the large concerns throughout the country.

The good will, patents, trade marks, trade names and the real estate are also being offered for sale.

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The inventory consists of made-up parts, parts in process and raw materials for radios, refrigerators and radio tubes. The Service Department on all three items has been kept intact.

The **GOOD WILL** consists of the name "MAJESTIC" as applied to radios, refrigerators and tubes, which name has been extensively advertised throughout the world, and which is secured by copyrights in practically every country in the world including many other trade names, patents and copyrights.

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The Trustee will receive offers for any part or parcels of the assets. All machinery and materials of production are reasonably priced. Competent salesmen will be glad to assist buyers at the plant, 5801 Dickens Avenue, Chicago, Ill.

REFRIGERATION SERVICE DEPARTMENT

The Trustee, under order of the Court, has set up a Refrigeration Department, to maintain service and to sell service parts. This will maintain the name and prestige of "Majestic" and be an asset of major importance to anyone buying the "good will" of the company.

SERVICE PARTS FOR RADIOS

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SEND FOR THIS CATALOG

Lists all of the assets. Free to prospective buyers. Mail request to Frank M. McKey, Trustee in Bankruptcy, Grigsby-Grunow Co., Inc., 5801 Dickens Ave., Chicago, Ill.



F. O. B.

[Filosophy of Buying]

THIS is the month when ninety per cent of the salesmen insult ninety per cent of the buyers by offering them totally inadequate gifts, and ninety per cent of the buyers insult ninety per cent of the salesmen by posing as far too ethical to accept them anyhow.

* *

A pessimist is a business man who fills his fountain pen with red ink.

* *

The buyer who works down the stock pile during December saves himself a lot of work on the annual inventory, but the really smart buyer is the one who keeps it consistently low twelve months a year.

* *

What this country needs, among other things, is fewer yes men and more know men.

* *

Speaking of annual reports, the chief difficulty in trying to measure the purchasing department's efficiency from the figures in the company's ledgers, is that it depends a lot more on the deals the purchasing executive doesn't make than on those he does make.

* *

Sales resistance is the triumph of mind over patter.

* *

There are two schools of selling. One aims to win a place on the buyer's preferred list, and the other aims to place the buyer on the sucker list.

* *

There are some things worse than being hard-boiled; one of them is being half-baked.

* *

Some manufacturers who can't hold their product to a reasonable tolerance, expect the buyer's spirit of tolerance to make up for their deficiency.

* *

Price is the measure of value, but not of quality.

* *

Most companies believe in the balanced budget. The trouble is that although they can make the budget, they haven't much of a balance.

The EXECUTIVE PURCHASER

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SARATOGA BOOK

An INTERNATIONAL Value



The Executive **PURCHASER**

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COMMODITY FUTURES

THE proposal to start trading in oil futures on a regularly organized exchange draws attention to the more general acceptance of this business device in the procurement of raw materials. Futures trading has been roundly condemned in some quarters as a species of speculation, but this line of argument emphasizes the abuse of the system without recognizing its legitimate uses.

It must be granted that there are many artificialities imposed by the machinery of the exchanges. The actual commodities delivered on futures contracts are rarely placed into the particular channels of consumption contemplated by the contract itself; it is altogether possible that they may never be utilized. It is reported that some of the metal stored against copper contracts on the London Metal Exchange is more than sixty years old, representing production on analyses now obsolete and ill adapted for modern industrial methods. A case is cited of cotton hedged and repeatedly extended against a purchase to be used for the manufacture of tires, in which the tires were made, sold, and substantially worn out before the transaction was finally completed and a true cost could be entered on the purchaser's accounting records. The Cotton exchange does not recognize the careful grading and uniformity which are required in actual procurement for manufacturing purposes.

The copper figuring in transactions on the Metal exchange is necessarily non-Blue Eagle metal and is narrowly restricted as to its permissible uses; the greater part of it will eventually have to be diverted into export channels if it comes to the point of actual physical delivery.

Nevertheless, in spite of these obvious limitations, the commodity exchanges have shown great activity in recent months. Dealings in copper during 1934 have been at a rate 87 per cent in excess of the 1933 records, a considerable part

of this trading being done by the custom smelters.

The answer is not difficult to find. It lies in the buyer's necessity of price protection and stabilization in regard to his own purchases, a privilege which has to a great extent been denied to him under a policy which in many fields restricts his ability to place long-term contracts for materials and gives producers a large degree of latitude in controlling prices on a spot market. It is safe to predict that so long as such a situation persists, intelligent buyers will make increasing use of the legitimate protection afforded by transactions in futures.

The primary function of the purchasing executive is to insure the physical delivery of the materials and supplies required for the operation of his company's plant, as needed. But he has the added responsibility of seeing that these deliveries are made at the best terms consistent with market conditions and of keeping his company in a favorable competitive situation with regard to material costs. He is further asked to accomplish this end without placing his management under the necessity of financing a high inventory investment or nullifying purchase economies by excessive carrying costs.

It is impossible to achieve a condition of balance between all of these factors by purchasing on a spot market as the need happens to arise. Nor can the buyer afford to place himself in a position of dependence upon conditions of supply and price determined exclusively by producing interests. Business success is largely a matter of judgment, and this faculty is as much a part of good buying as of every other business function.

Stabilization of industry is measured by annual requirements and operations rather than by day-to-day requisitions. Both the seller and the buyer must take the long-term view. Perhaps trading in futures is the answer. There is evidence that more and more buyers are exploring its possibilities.

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RYERSON STEEL SERVICE

A PLAN TO REDUCE THE HIGH COST OF TRANSPORTATION

Part of it is due to the necessity of hauling an empty car six and a half miles for every ten miles of revenue freight. Or is it really necessary?

G. LLOYD WILSON

Professor of Commerce and Transportation, University of Pennsylvania

FOR many years students of transportation problems have sought a practicable means of reducing the enormous waste caused by the transportation of empty railroad freight cars back to the owning railroads after they have arrived at destination with their pay loads. The return movement of these non-revenue empty cars constitutes a large growing drain upon the railroads, but plans looking toward the reduction of the evil through the cooperative pooling of all or certain types of freight cars have met with stubborn opposition of opponents who urge that the plan would restrict or deprive individual carriers of their property rights in their cars or that the administration of the plan would be unwieldy.

It is significant that whenever railroads have been brought together by consolidation or merger, one of the first operating economies to be effected has been the pooling of the freight cars of the roads comprising the new system. Despite variations in the freight car requirements of various parts of the country served by the combinations of railroads, the supply and distribution of freight cars have been administered more effectively than when the cars were owned and managed by the constituent companies. The Southern Pacific, for example, operates over 13,700 miles of railroad lines, serving the Pacific Coast states and extending

eastward to New Orleans, and manages its freight car equipment through a single car pool.

POOLED BOX CARS

On Oct. 23 the Federal Coordinator of Transportation, Joseph B. Eastman, forwarded to the Regional Coordinating committees, a comprehensive report prepared by the section of Car Pooling of the Coordinator's staff under the direction of O. C. Castle, director, and N. D. Ballantine, assistant director,

ing expenses through the elimination of 2,000,000,000 excess empty car miles, and \$25,000,000 a year in capital carrying charges through the coordination of operations and purchases.

THE CAR SITUATION

The Class 1 railroads of the United States, including all railroads earning over \$1,000,000 a year in railway operating income, own about 2,000,000 freight cars of all kinds. These cars must neces-



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EXPENSIVE PASTIME—These cars are playing "per diem", the costly game of passing the empty-car buck. It pays few dividends

proposing a nationwide box car pool to be organized and administered by the newly created Association of American Railroads.

The plan proposes a voluntary nationwide pool of all freight box cars, excepting ventilated and automobile box cars, owned by all railroads of the United States so as to save \$75,000,000 a year in operat-

sarily pass beyond the rails of the roads owning them as an incident to long distance through-freight traffic. The ownership rules governing the interchange of freight cars among railroads have been developed over a period of 70 years and are based upon the principle that the owning railroad has the right to the control of their cars.

The regulations governing the financial settlements among railroads for the use and maintenance of cars, although not considered perfect nor always equitable, are definite and enforceable by the railroads, but the rules pertaining to the use and return of the cars of

cars owned by other railroads freely in times of car shortage, sometimes with airy disregard of the rules governing the use of cars and avoid the payment of the "per diem" car hire charges in times of car plenty by returning the empty cars to the cars owning them and

the annual increase in the ratio based upon the 1920 figures are shown below:

Year	Percentage Ratio Empty to Loaded Car Miles	Index Based upon 1920 Basis
1920	47.3	100.0
1921	58.7	124.1
1922	48.8	103.2
1923	52.2	110.4
1924	53.9	113.9
1925	55.3	116.9
1926	57.2	120.9
1927	59.2	125.2
1928	59.0	124.7
1929	59.3	125.4
1930	62.9	133.0
1931	64.5	136.4
1932	65.0	137.4
1933	64.1	135.5



Acme

LESS EXPENSIVE PASTIME — Cars shown here have been returned to the owning road, are out of the game. But the game goes on

other roads, on the contrary, are not sufficiently definite nor enforceable.

The railroads originating freight traffic are required to own a sufficient number of freight cars to meet the requirements of the shipping public, but once off their rails on the lines of connecting railroads, the roads owning the freight cars lose control of them, so that in periods of heavy traffic when the demand for freight cars is at its peak the railroads are often deprived of the use of their own badly needed cars. The rental paid the railroad owning the cars by the railroads using them, the so-called "per diem" payment, is inadequate to compensate the owners for the revenue lost because of lack of cars, not to mention the irreparable damage done to prospective shippers in such cases.

CROSS HAUL

The railroads delivering freight to consignees at destination, the so-called "terminating railroads," use

using their own cars for freight to be transported to points beyond their own rails. The inevitable result of this latter practice is to create an enormous cross-haul movement of empty cars of the same type and class in opposite directions. In the past 14 years the movement of empty car miles—the number of empty cars hauled multiplied by the distance hauled—to loaded car miles has increased 35 per cent. In 1920 the ratio of empty car miles to loaded car miles was 47.3 per cent, this ratio increased in 1921 to 58.7 per cent due to business depression and the attendant surplusage of freight cars. In 1921 the ratio of empty to loaded car miles was 48.8 per cent, and in each succeeding year from 1922 to 1932 the ratio of empty to loaded car miles increased steadily with the exception of a slight improvement in 1928, until it reached 65.0 per cent in the latter year. In 1933 the ratio fell slightly to 64.1 per cent. The ratio of empty to loaded car mileage and

An analysis of the volume of empty car mileage and of empty car movements made by the section of Car Service of the Federal Coordinator of Transportation indicates that the increase of empty car mileage in proportion to loaded car mileage is due largely to the efforts of the individual railroads to shift the burden of "per diem" car hire charges to other roads, a costly game of passing the empty-car buck.

EMPTY CARS

It is estimated that in the period 1920 to 1933 the revenue ton miles of revenue freight service performed by railroads of the United States decreased 39.1 per cent, but empty car mileage decreased only 5.2 per cent. The railroads earn only as they transport revenue freight and they can save in operating expenses in the transportation of empty cars only in proportion to the decrease in empty car mileage. In this same period of 14 years, the empty car miles per revenue ton miles increased 56.6 per cent.

If the year 1920 is used as an index, the revenue ton miles performed in 1933 was 60.9 per cent. If this is used as a "normal" ratio of empty to loaded performance, the number of empty car miles incident to the performance of the 1933 ton mileage would have amounted to about 4,421,000,000 empty car miles. The actual empty car mileage in 1933 was 6,879,000,000, so that the difference between

the actual and estimated "normal" empty car mileage in 1933 was 2,458,000,000 car miles. The savings in operating expenses to be realized by the prevention of the unnecessary excess empty car mileage is estimated by the section of Car Service of the Federal Coordinator to be \$75,000,000 per year, or about three cents per empty car mile.

It is obvious that if the excess empty car mileage is reduced the number of freight cars required to transport the same amount of freight traffic will be decreased, so that annual savings estimated at \$25,000,000 in car operation and purchases will be possible.

PRIVATE OWNERSHIP

Another complicating factor in an already complicated situation is the operation of large numbers of freight cars owned by industrial enterprises, shippers' organizations and private car companies. The private ownership and operation of these cars has developed practices which have adversely affected railroad revenues, through the creation of excessive empty car mileage incident to the return of these cars to their owners, through the substitution of privately-owned for railroad-owned freight cars, and through the payment of monetary rentals and the granting of other concessions to the shippers and car owners. These practices have attracted attention of the Interstate Commerce Commission and other transportation regulatory bodies, and they have tended to impair railroad revenues, but they still persist.

Investigations of these practices by regulatory bodies, studies of car service by railroad organizations and individual railroads and experiments of various sorts with "per diem" and penalty regulations, have been without important constructive result and have demonstrated that the defects are fundamental and not superficial. The search for the remedy requires serious and immediate considera-

tion of the plan proposed for freight car pooling.

PROPOSED CAR POOL

The plan proposed by the section of car pooling of the Federal Coordinator of Transportation is the result of the work of two men of wide practical experience in the supply and distribution of freight cars. They propose that all freight cars suitable for interchange among railroads—railroad and private car line cars alike—be assigned by voluntary and immediate action by the carriers to a general freight car pool to be operated by a central agency, the Association of American Railroads, and controlled by the participating carriers for the benefit of the users and owners of the cars. It is proposed at the outset of the pool that only ordinary box cars be pooled. Later the other types of railroad-owned and private car line cars could be added to the pool if experience in the operation of the pool warrants the expansion of the plan.

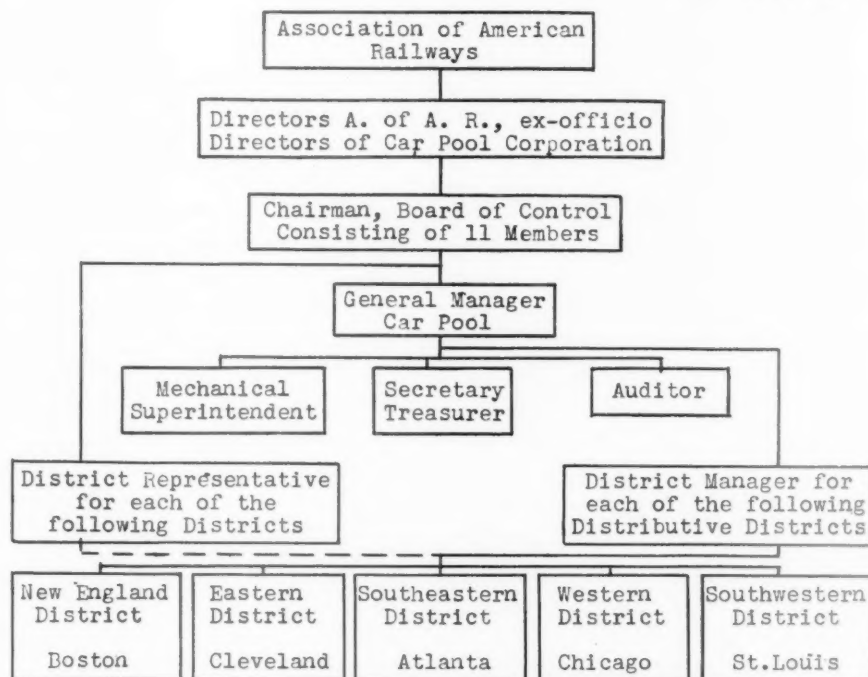
The ultimate objective of the plan, as announced, is to acquire ownership of the cars assigned to the pool and the facilities necessary to repair the cars. The pool would assume full responsibility for pro-

viding and maintaining car supply adequate to meet the needs of all railroads participating in the pool. As an immediate objective pending the achievement of the ultimate objective, it is proposed that the pool acquire the cars by lease or contract and form an organization necessary to operate the cars upon a nationwide basis. For the present no change in the ownership of the cars is proposed, and even the present individual railroad car initials and numbers would be continued unchanged, except for the addition of a pool designation suffix after the individual railroad car initials and number, such as B & O 100009-D.

RESPONSIBILITY

It is proposed that the pool will compensate the owners of the cars used in the pool service upon the basis of the appraised value of the cars to cover the fixed costs including interest, depreciation, taxes and insurance. The pool will also maintain the cars in condition suitable to meet transportation requirements, "heavy" or "classified" repairs to be arranged for by the pool with the carriers owning the equipment, and "light" or "running" repairs to be made by the road

Continued on page 23



GRAPHIC ANALYSIS OF PROPOSED CAR POOL

THE IMPORTANCE of the INTERVIEW

KARL F. WESTERMANN, P. A.

Columbia Steel & Shafting Co.

THE interview is one of the most important business contacts a company makes with the outside world. It is one of the windows through which the public forms its impressions of the stability and aggressiveness of an organization. The caller is always a potential consumer. The important task of interviewing is assigned, largely, to the purchasing department and special emphasis is being laid on the reception given callers, a large percentage of whom are salesmen.

Today they are given every opportunity to tell their story in pleasant surroundings and to one who listens attentively. One organization, a leader in its field, has the following letter addressed to sales representatives, signed by the president of the company, framed, and hanging in a conspicuous place in their reception room:

"It is our aim and desire to grant an interview to everyone who calls on us, as we feel that your visit is a compliment to us. Every salesman, and every company, has an equal opportunity to share in our business and we are always glad to see the sales representatives who are proud of their companies and their products"

The salesman, as he makes his first call, is a stranger in a strange land and he will surely feel the warmth of such a statement and know he has the opportunity for which he is always seeking, a willing ear and an unbiased opinion. This statement of policy by the president has "broken the ice," as it were, and created impressions in the mind of the salesman that are favorable. The next step in making the interview a success is the

promptness with which the salesman is greeted. There should be no delay, assuming of course no one is ahead of him. A long delay in consummating an interview is fatal. It creates a bad impression and a first class buyer will inconvenience himself rather than allow it to happen.

CHEERFULNESS

An interview cannot be a success without a smile. Many P. A's are noted not so much for the twinkle in their eyes as the wrinkles in their foreheads. A smile costs nothing and can do more to germinate confidence than anything else. The memory of a smile lasts forever. If you meet a salesman 20 years later, he never forgets your first meeting, and (who knows?) he may be buying and you selling.

We purchasing agents have the reputation of being hard boiled interviewers. You can seldom go where P. A's are gathered that someone does not make a wisecrack about P. A's being cold, inhuman, feelingless brutes whose conversation is limited to the word "no."

There must be a reason for this opinion and upon analysis I find this impression of a "cold interview" is due largely to the salesmen themselves. They try to sell themselves instead of their products and again, so many times they talk about trivialities; the weather, politics, general business conditions and even the intimacies of one's own family. Salesmen gain these privileges only after long contacts and not upon initial interviews.

TESTS & SURVEYS

Up to this time the interview has passed the preliminary stages only, and hasn't hit the dangerous pit-

falls that often end disastrously. What about the hazards that are extremely difficult of execution? I refer to requests for tests, requests to make surveys and requests to interview shopmen. You cannot make the interview a success by telling the salesmen you are too busy or you are not in the market. They have heard that so much they do not believe you and you do not believe it yourself, if you are honest about it. It is a weak subterfuge to get rid of a visitor.

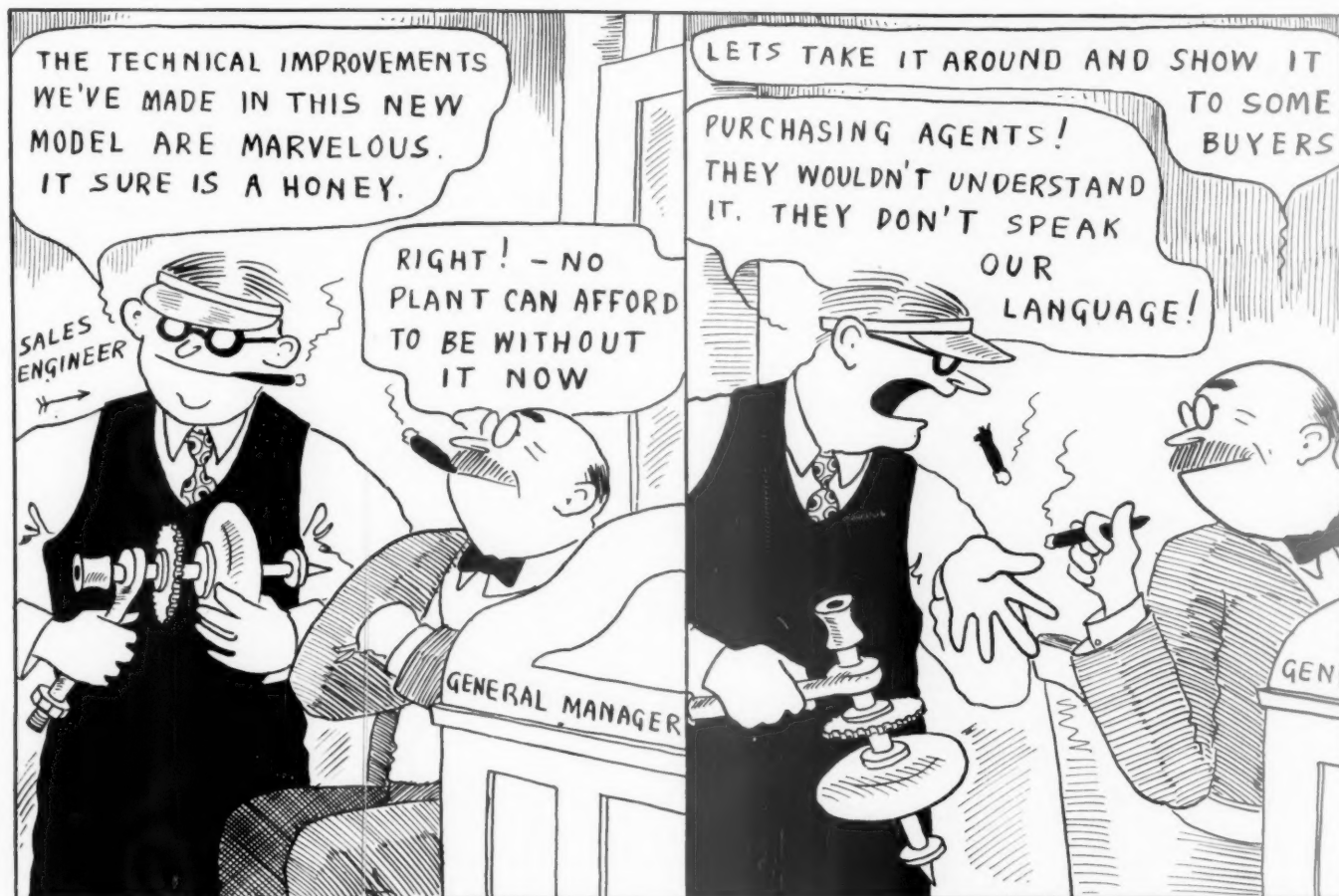
This question of tests is difficult for there are so many conditions that enter into a test. True, tests cost money, but many times they pay big dividends. Remember an individual or group of individuals have spent their time and money in preparing their product for the market and it isn't human nature to waste money. They are expecting a return. No one can set up a hard and fast rule, but every suggestion should be examined very, very carefully before you decide.

QUICKSAND

It is not always profitable to allow shopmen to be greeted by a salesman on the least pretext. It may be permissible at times, but as a rule it costs too much time. Salesmen like these contacts because they feel, very often, the P. A. is not as conversant with all the details that a shopman is familiar with. If it is a company policy to prohibit these visits a salesman will seldom question this decision, but you certainly get in bad if you allow one salesman in and not another.

After all a successful interview really depends on our ability to "do unto others as we would have them do unto us."

THEY DON'T SPEAK OUR LANGUAGE



With apologies to Webster

Drawn by Ted Russell

Exploding the ivy-clad popular fallacy which assumes that the buyer knows nothing and cares less about anything not found on the price tag

HALF the world, we are told, doesn't know how the other half lives. And in spite of the liberal education to which we have been exposed in this day of revived social consciousness, the truth of that saying has hardly been impaired. It is, in fact, a case of understatement rather than exaggeration, for we are just beginning to get a glimmer of real information about our own half.

Take, for example, such a simple question as this: How well qualified is the average purchasing executive in regard to the technical aspects of his job?

A buyer, asked this question, might guess at the answer. He might take his own case and consider himself as average (or, more likely, as above average). He might reach a conclusion based on his knowledge of the particular clique with whom he travels. From any scientific standpoint, these answers would not mean much, particularly when we consider that he might be cagey and say to himself, "As a matter of professional pride, I've got to make the best possible showing, and I'll phrase my answer accordingly." Or he might be imbued with the spirit of the reformer

and say, "Here's something that can be improved. I'm going to stress the unfavorable angle and put it up to the profession to meet the challenge."

SALES ATTITUDE

An even greater divergence of opinion would appear among sales executives faced with the same query. Honest answers would necessarily be based on limited contacts; colored by the vivid impression of a single experience, fortunate or unfortunate; dictated by a preconceived theory of the purchasing function; reflecting the per-

THE IMPORTANCE of the INTERVIEW

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Columbia Steel & Shafting Co.

THE interview is one of the most important business contacts a company makes with the outside world. It is one of the windows through which the public forms its impressions of the stability and aggressiveness of an organization. The caller is always a potential consumer. The important task of interviewing is assigned, largely, to the purchasing department and special emphasis is being laid on the reception given callers, a large percentage of whom are salesmen.

Today they are given every opportunity to tell their story in pleasant surroundings and to one who listens attentively. One organization, a leader in its field, has the following letter addressed to sales representatives, signed by the president of the company, framed, and hanging in a conspicuous place in their reception room:

"It is our aim and desire to grant an interview to everyone who calls on us, as we feel that your visit is a compliment to us. Every salesman, and every company, has an equal opportunity to share in our business and we are always glad to see the sales representatives who are proud of their companies and their products"

The salesman, as he makes his first call, is a stranger in a strange land and he will surely feel the warmth of such a statement and know he has the opportunity for which he is always seeking, a willing ear and an unbiased opinion. This statement of policy by the president has "broken the ice," as it were, and created impressions in the mind of the salesman that are favorable. The next step in making the interview a success is the

promptness with which the salesman is greeted. There should be no delay, assuming of course no one is ahead of him. A long delay in consummating an interview is fatal. It creates a bad impression and a first class buyer will inconvenience himself rather than allow it to happen.

CHEERFULNESS

An interview cannot be a success without a smile. Many P. A's are noted not so much for the twinkle in their eyes as the wrinkles in their foreheads. A smile costs nothing and can do more to germinate confidence than anything else. The memory of a smile lasts forever. If you meet a salesman 20 years later, he never forgets your first meeting, and (who knows?) he may be buying and you selling.

We purchasing agents have the reputation of being hard boiled interviewers. You can seldom go where P. A's are gathered that someone does not make a wisecrack about P. A's being cold, inhuman, feelingless brutes whose conversation is limited to the word "no."

There must be a reason for this opinion and upon analysis I find this impression of a "cold interview" is due largely to the salesmen themselves. They try to sell themselves instead of their products and again, so many times they talk about trivialities; the weather, politics, general business conditions and even the intimacies of one's own family. Salesmen gain these privileges only after long contacts and not upon initial interviews.

TESTS & SURVEYS

Up to this time the interview has passed the preliminary stages only, and hasn't hit the dangerous pit-

falls that often end disastrously. What about the hazards that are extremely difficult of execution? I refer to requests for tests, requests to make surveys and requests to interview shopmen. You cannot make the interview a success by telling the salesmen you are too busy or you are not in the market. They have heard that so much they do not believe you and you do not believe it yourself, if you are honest about it. It is a weak subterfuge to get rid of a visitor.

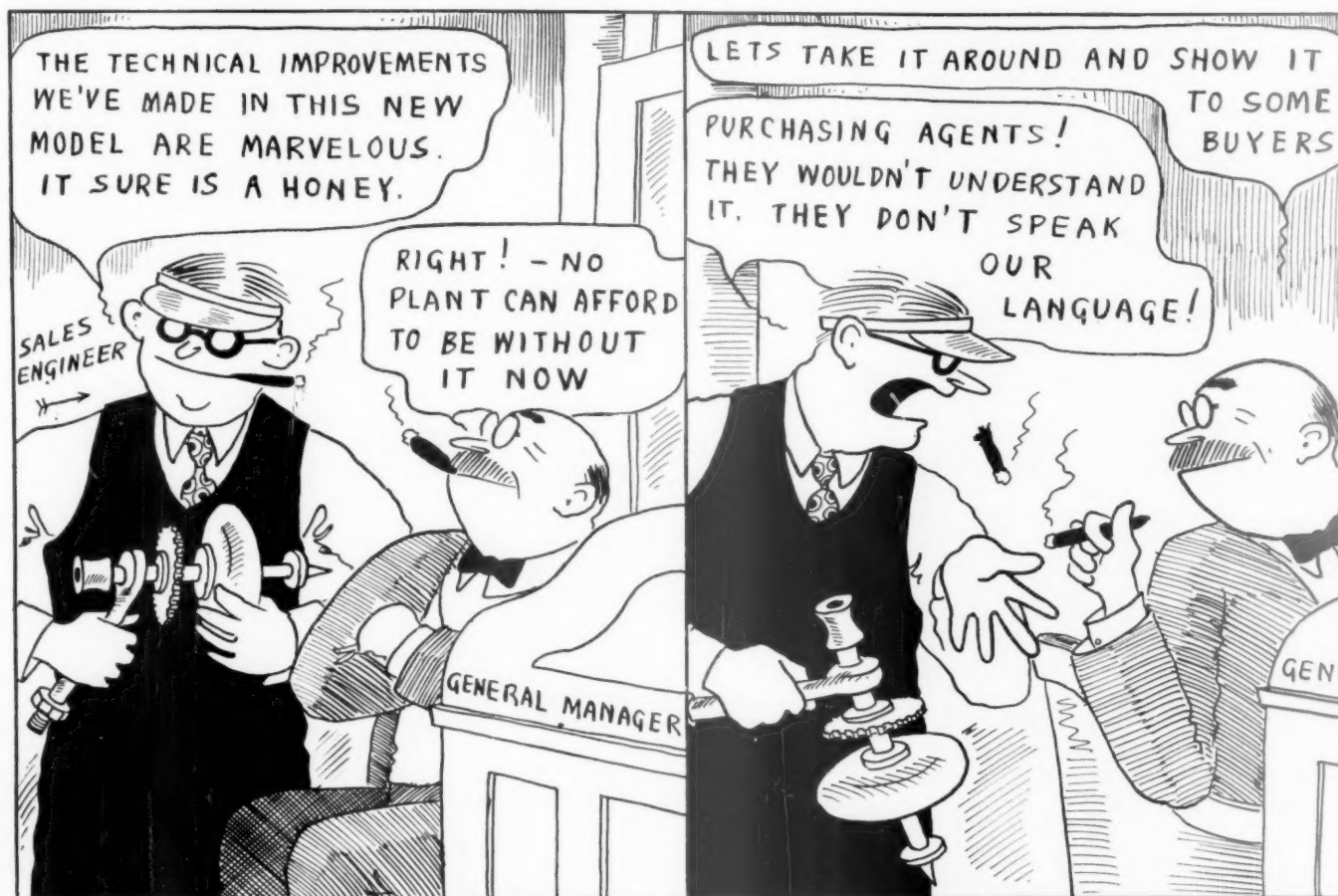
This question of tests is difficult for there are so many conditions that enter into a test. True, tests cost money, but many times they pay big dividends. Remember an individual or group of individuals have spent their time and money in preparing their product for the market and it isn't human nature to waste money. They are expecting a return. No one can set up a hard and fast rule, but every suggestion should be examined very, very carefully before you decide.

QUICKSAND

It is not always profitable to allow shopmen to be greeted by a salesman on the least pretext. It may be permissible at times, but as a rule it costs too much time. Salesmen like these contacts because they feel, very often, the P. A. is not as conversant with all the details that a shopman is familiar with. If it is a company policy to prohibit these visits a salesman will seldom question this decision, but you certainly get in bad if you allow one salesman in and not another.

After all a successful interview really depends on our ability to "do unto others as we would have them do unto us."

THEY DON'T SPEAK OUR LANGUAGE



With apologies to Webster

Drawn by Ted Russell

Exploding the ivy-clad popular fallacy which assumes that the buyer knows nothing and cares less about anything not found on the price tag

HALF the world, we are told, doesn't know how the other half lives. And in spite of the liberal education to which we have been exposed in this day of revived social consciousness, the truth of that saying has hardly been impaired. It is, in fact, a case of understatement rather than exaggeration, for we are just beginning to get a glimmer of real information about our own half.

Take, for example, such a simple question as this: How well qualified is the average purchasing executive in regard to the technical aspects of his job?

A buyer, asked this question, might guess at the answer. He might take his own case and consider himself as average (or, more likely, as above average). He might reach a conclusion based on his knowledge of the particular clique with whom he travels. From any scientific standpoint, these answers would not mean much, particularly when we consider that he might be cagey and say to himself, "As a matter of professional pride, I've got to make the best possible showing, and I'll phrase my answer accordingly." Or he might be imbued with the spirit of the reformer

and say, "Here's something that can be improved. I'm going to stress the unfavorable angle and put it up to the profession to meet the challenge."

SALES ATTITUDE

An even greater divergence of opinion would appear among sales executives faced with the same query. Honest answers would necessarily be based on limited contacts; colored by the vivid impression of a single experience, fortunate or unfortunate; dictated by a preconceived theory of the purchasing function; reflecting the per-

sonal prejudices of technical or operating men in the buyer's own organization.

But their real thought on the subject is indicated fairly conclusively by the sales policy which they adopt, and we are all familiar with the attitude frequently expressed in such statements as the following:

"We have to reach the practical man in the shop. The purchasing department cannot give a fair appraisal of the merits of our product."

"Our equipment is a technical matter for the engineer to decide. The purchasing executive wouldn't even know what it is all about; he doesn't speak our language."

"The average buyer is interested only in the fact that 99 cents is less than a dollar. He has no conception of the wide view of management or of long-range economies."

"The purchasing man has no authority. We must go to the man higher up."

"Purchasing is a routine clerical job. We may have to go through the purchasing department as a matter of form, just as his own

operating officials clear their orders through that department, but our real interest lies beyond the buyer."

FALLACY

Purchasing executives generally believe that statements such as these (and the list could be indefinitely extended, with minor variations) should properly come under the classification of popular fallacies. They deplore the reiteration which clothes the remarks with the semblance of truth, and the apparent acceptance of such sales philosophy. This feeling is not merely a matter of personal and professional pride. It comes from a deep realization of the business and economic waste which is entailed if a prevailing attitude is actually unsound. They know that the circuitous approach and the duplication of sales effort are more expensive than direct selling, and that in the long run the customer must foot the bill. In hundreds of individual instances they have been able to demonstrate their point, only to be confronted with the counter argument that their particular case is exceptional. A flattering rejoinder, but unsatisfying to one who is interested in clarifying the situation as a whole.

Fortunately there is a very simple and direct way of settling the matter. That is to have some qualified independent agency ask the question and determine the facts.

COLD FACTS

This is exactly what was done recently by the Bureau of Business Research of New York University. The investigation covered the personal and business experience of 441 purchasing executives with a view to determining their qualifications and training in respect to the technical and so-called practical phases of operation and management.

The results of this survey can be accepted at their face value. It represents a wholly impartial viewpoint, neither deprecatory nor apologetic. It is a factual analysis, with no preconceptions to throw it out of focus, and with no thesis to be proved. It is not the projection of a small cross-section of the field, used as the basis for generalization, but the actual case study of 441 men who are purchasing for industry. It provides (without any effort to grade individual ability and to insert a factor of opinion) a fair measure of the purchasing executive's capacity to "speak the language" of those with whom he deals.

LENGTH OF SERVICE

The average length of service in purchasing work among this representative group is slightly more than 13 years. Seventy-four per cent have been buying for eight years or more. Only two are in their first year (of purchasing, not total business experience). This is superimposed on a considerable term of other business experience, as will appear below. They are no tyros in the ways of industry or in the art of buying. Their work has apparently received the approval of management as a job satisfactorily accomplished. Their tenure of office indicates a substantial



Acme

FIFTEEN PER CENT of all P. A's are college graduates, 20 per cent have college training

measure of professional or "career" interest in their work.

EDUCATION

Fifteen per cent are college graduates. Of these, eight took degrees in science and engineering, and one in commercial science. Six completed liberal or legal courses. In addition to these, five (or more, since this information was volunteered, not required) attended college without graduating, making a total of 20 per cent with college training, predominantly in technical lines.

BUSINESS EXPERIENCE

Fifty-seven per cent have had first hand production or engineering experience prior to their work in purchasing, averaging more than nine and a half years in such employment. Forty-three of these are in fact "practical" factory men, ten have the background of technical experience, and four others have served in both capacities. It appears, then, that the buyers who lack the ability to appreciate the operating angle of the materials and products they are called upon to buy, are substantially in the minority.

MANAGEMENT RESPONSIBILITY

Seventeen per cent of purchasing executives are executive officers of the corporation in addition to their actual buying duties. Line up a hundred buyers, and you'll find six company secretaries, three treasurers, and three who hold the combined office of secretary-treasurer. In addition, there will be four who are assistant secretaries or treasurers. One will be either a vice-president or assistant vice-president of the company, or president of a subsidiary organization.

In other words, these are men who are definitely called into the executive councils of their respective concerns, who coordinate their departmental functions with the financial and general corporate policies of their companies, who must see the situation in its entirety and from the long range viewpoint.

The significance of this representation is not so much in the recognition of special merit on the part of these individuals as in the evidence that management sees the desirability of this coordination and that purchasing men are equipped to step into the positions of leadership. This is of course quite independent of participation in executive conferences or roundtables, which are now so commonplace as to be the rule rather than the exception.

TRENDS

It is difficult to make a comparison of these current conditions with the conditions which prevailed in earlier years, owing to the lack of factual data on the former period. We can, however, get some intimation of the trend of development by noting the policy of purchasing executives in the selection of their chief assistants, the men who will presumably succeed to their positions and responsibilities.

Sixty-five per cent stated affirmatively that they consider experience in engineering or production as an important factor in choosing an assistant, and four more state that such experience is desirable though not absolutely essential. Thirty-one answered in the negative. It is logical to assume, therefore, that the percentages noted above will increase with time and that the next survey will show a greater proportion of "practical" and technical men at the buyer's desk.

AUTHORITY

And while we are on the subject of independently determined facts, we may turn to an investigation made some years ago by R. O. Eastman, Inc., published under the title, "Who Buys for American Industry?" This study established the fact that the number of persons functioning in the selection and purchase of plant equipment and supplies ranges from 1 to 19, with an average of 4.8 for all transactions. Further, that the purchasing executive functions in 92 per

cent of all purchases, next in influence being the general superintendent, who takes part in 53 per cent of the cases. And further, that in purchases amounting to less than \$1000, which make up the great majority of all purchases, the decision as to make is most frequently the responsibility of the purchasing executive, while for products costing more than \$1000, the purchasing man ranks second only to the general superintendent.

FACTS TO FACE

The facts here presented speak for themselves. It is wholly pertinent, however, to address a couple of questions to purchasing men and to sellers on the basis of this knowledge.

To the purchasing executive:

How do you personally rate in comparison with the average buyer's knowledge and experience in technical and production work?

If you are below the average, what steps are you taking to remedy that deficiency and to insure for your company the benefit of adequate consideration of these factors?

If you are above the average, what are you doing to stimulate the consciousness of these points and to improve the level of ability within your own buying organization and among purchasers as a class?

To the sales executive:

Is your sales policy geared to the actual situation of technically-minded and experienced purchasing executives?

Do you and your representatives "speak the language" of the buyer as to value, adaptability, and ultimate economy?

Can you afford to regard as a routine formality, a business function which is specifically designed to cooperate with you in the distribution of your product, whose personnel is trained to the task and endowed with the final authority of analyzing your proposition?

These vital questions do not call for opinions. They are matters of fact. Let's face the facts.

WHAT PRICE INVENTORY?

WITHIN the next few weeks, many a purchasing executive will be handed the job of pricing his company's annual inventory, and must decide, or work out with other officials, the policy to be observed in this procedure. For back of the actual detailed calculations involved in the task is a matter of principle. He has, for example, the option of using any one of the following price bases:

1. Invoice price.
2. Delivered cost.
3. Average cost of several shipments of an item.
4. Market or replacement cost.
5. A combination of two or more of the above plans.

Each of these varying suggestions has its advocates, and has logical reasons for its adoption.

What price inventory?

THE director of purchases for an eastern manufacturing company offers this answer:

"The principle that I have used in pricing inventories is to take actual delivered cost or replacement delivered cost on each item, whichever happens to be lower. This is not done for the purpose of showing the lowest possible inventory and thus making a good record for the purchasing department, but because I believe it is the only plan consistent with the true purpose of the annual inventory, which is to get an accurate picture of net worth.

"The use of invoice price, except in the case of materials that are shipped f.o.b. our plant, seems to me to be meaningless, as transportation costs are truly a part of material costs. I cannot compare quotations on an item or place an order without taking this factor into consideration, and I believe it is just as unsound to segregate transportation costs for accounting or inventory purposes.

"The use of actual delivered costs would give an accurate picture of the company's investment in materials. But some part of this investment might have been unwise if it later appears that the same materials could have been procured for less. In this case I believe it best to take the inventory loss at once, and I consider this a proper charge against purchasing department efficiency.

"No one would think of valuing stocks or other securities, bought at the 1929 peak, at three or four times their current market values. The same principle should apply to stocks of materials, and I try to visualize the inventory calculation as representing values which we might reasonably expect to realize either through liquidation or through normal manufacturing operations and sales. Any other basis might place our company in an impossible competitive situation, and if a loss should be incurred in the ultimate sale of the product, it ought to be allocated to the drop in material prices rather than to manufacturing operations, which might be entirely in line.

"The uniform accounting procedure generally used in our industry prescribes the use of replacement cost for materials. However, I do not subscribe to this principle in pricing inventories, for two reasons. First, to continue the stock market analogy, the 'paper profit' is not an actual profit until the time of sale. And second, from a practical standpoint, it would require a constant process of price revision with no good purpose accomplished.

"One other point arises in our plan of operation, namely the manufacture of some parts in our foundry and machine shop, which are operated as separate units and the parts billed to us as if they were procured from an outside vendor. It sometimes happens that an apparent inventory loss results on such items when our costs are compared with the cost of the same items if bought outside. In this case I believe that outside replacement costs should be used and that the loss should be charged back to the operating department rather than as an inventory item chargeable to purchasing. For obviously such a situation should be recognized by management, and if the situation appears to be chronic it would be wiser to discontinue such uneconomical operations than to continue them at a loss.

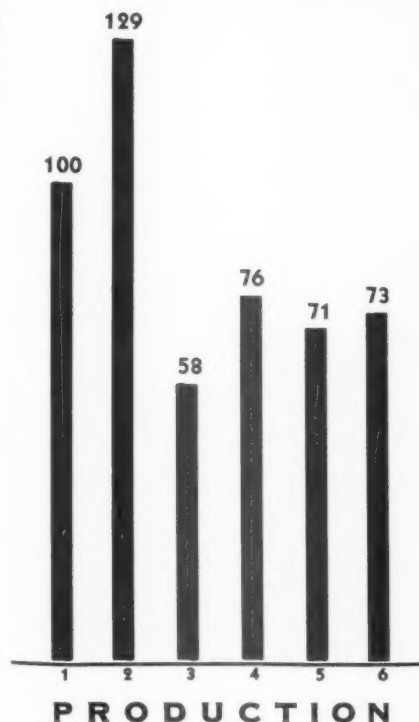
"By the same token I believe that such departments are entitled to receive credit for savings they are able to show, even though we make no attempt to charge a profit on the operation as such. For this reason I keep a record of both cost and market on these items, but this does not appear in the inventory calculation. There the lower of the two prices is used."

THE EXECUTIVE PURCHASER welcomes communications from its readers commenting on this problem and presenting other viewpoints as to its solution.

INDEX TO INDUSTRY

1. Average 1923-25, 100
2. Peak, June 1929, 129
3. Low, July 1932, 58

4. Year Ago, 76
5. Month Ago, 71
6. Current Rate, 73



FOR the third time since the low point of the current depression was touched in early 1933 business indexes have turned upward. While as yet the gains from the low point touched in September are slight there are several indications that the latest advance is predicated on healthier developments than either of the previous two.

The sharp upturn in business which occurred following the banking holiday of 1933 was prompted in part by fear of higher prices which were expected to result from various processing taxes, higher costs necessitated by codes, etc. It was abruptly terminated by dollar devaluation and uncertainty regarding the entire monetary question. The upswing of the spring of 1934 was a natural development of the government's large spending program; money was distributed at an unprecedented rate and purchasing of materials for government-financed projects and by receivers of federal funds through the AAA and other agencies stimulated business for a second time.

Growing concern over failure to adopt a definite policy which would permit long-term planning, particularly in regard to capital expenditures together with a rapidly increasing federal deficit and the uncertainties which usually precede an election tended to undermine confidence and a second contraction occurred, which, however, was not so severe as the one in the fall of 1933.

The "truce" between the bankers and the administration and the more recent pledge of cooperation

made by organized business and the manufacturers' association in themselves are almost meaningless, but they do tend to instill confidence. These together with certain indications that less experimentation is in store for business so far as regulation is concerned has had a stimulating effect on trade and industry.

Recent monetary developments have been in the direction of conservatism. Elimination of restrictions on gold exports and support given to countries still on the gold standard savor of some sort of stabilization agreement. This is a most necessary forerunner of any recovery in world trade. An export surplus of over \$500,000,000 from this country in the twelve months ended with October as against \$180,000,000 in the previous twelve months has only aggravated what already was a serious situation. Gold has been coming to this country at a very rapid rate for several months to swell reserves which were more than adequate to take care of

a demand as a basis for credit far greater than any that has previously been needed.

Not only has sentiment improved since early November, but industrial activity has tended upward. Industrial production was estimated to be 75 per cent of the 1923-1925 base period in November, a gain of four points from the low of September. The Federal Housing Administration is making a strenuous effort to revive private building and has met with some success recently. Steel mill operations have advanced at a moderate rate for seven consecutive weeks, and are now slightly above a year ago at this time.

Electric power production, allowing for seasonal changes, has increased quite sharply in recent weeks and in the latest period was above the corresponding week of the preceding four years. Automobile production was limited in November, due to model changes, but expanding schedules were reported in early December. It is now evident that 1934 output will exceed 2,800,000 cars and trucks. This is a gain of 45 per cent from 1933 and the industry is in good position so far as stocks of finished cars are concerned.

Pre-holiday retail buying is reported to be more than 10 per cent above 1933 and official and private estimates indicate that Christmas trade will be better than since 1930. This is based on federal statistics showing increased farm income, higher payrolls, large government expenditures and generally improved bank conditions and public confidence.

THE NEWS

BRITAIN O.K'S FIVE-DAY WEEK

LONDON—The history of the current trend toward shorter working hours is speckled with strife and bloodshed. Industry generally has vigorously resisted proposed reductions and has granted concessions with extreme reluctance. But, paradoxically, industry's greatest profits have been earned during periods of relatively short working hours. Realization that some connection between the two might exist is indicated in the results of a national survey of industrial enterprises recently made in Great Britain. (See Fig. 1) Inquiry revealed 673 plants now are using the 5-day week. All are enthusiastic about the plan, declaring it has proved an unqualified success both from business and employee points of view. One firm reported it installed the plan for a year's trial, production costs did not increase, a higher standard of efficiency was attained, the 5-day week has been adopted permanently.

BUYERS' BACKS SCRATCHED

CLEVELAND—The purchasing profession was paid a pretty compliment the other evening by a representative of the pottery industry in a speech here before several hundred members of the United States Potters Association. The speaker was Joseph M. Wells, of the Homer Laughlin China Co., Newell, W. Va. Mr. Wells ingratiated himself with the statement reported as follows:

"We can be proud that we have been able to resist the well-known chiseling buyers by holding to established prices definitely above cost." With splendid tact the speaker added, "All we're asking is just a chance to meet Asiatic competition, not beat it, so that we can give the American worker an opportunity to make the dinner ware used in this country by their fellow citizens." (See Fig. 2)

RAILROADS REGAIN TRAFFIC

WASHINGTON—During the past few years, and especially since the depression laid clammy fingers on their Johnson bars, effectively throwing large numbers of expensive locomotives into reverse, the railroads have had much to say on the subject of truck and bus competition. They have said it early and often, and with vigor. Also, however, they have seen to orderli-

ness in their own houses, taking such practical steps as cutting fares, air-conditioning coaches, introducing store-door pickup and delivery service, installing passenger train schedules for overnight freight runs and perfecting oil-driven, super-speed, streamlined passenger trains. As a result, they have done more to regain lost tonnage and fares so far this year than in any similar period in the last decade. Gross revenues of Class I railroads are 7.2 per cent higher this year than last, while carloadings total 27,672,202, against 26,047,078 a year ago and 25,203,352 in the corresponding period of 1932.

UTILITY OFFERS FREE CURRENT

HARTFORD, CONN.—Further indication that private utilities are out to fight to the last and final ditch any prospective inroads of government-generated power in the domestic field is found in the recent action of the Hartford Electric Co. The company now offers customers an "objective rate," throwing in free current up to five times a voluntary increase of five or 10 kilowatt hours a month. This means that a domestic consumer who increases his usual load by 10 kilowatt hours may have scot-free an additional 50 kilowatt hours, paying 45 cents for the first 10 and getting as a present the last 50, which under the old rate of a flat three and one-half cents per k.w.h., would have set him back an added \$2.25. Considerable success is expected from the plan so long as customers refrain from asking themselves "Well, well. How long has this rate been possible?"

SIMPLIFY CONSIGNMENT SALES

NEW YORK—With an eye to stimulating sales and at the same time lifting some of the financial burden from retailers' shoulders, the Mazda lamp departments of both General Electric and Westinghouse have announced simplifications of their consignment selling policies which promise to shorten red tape for everybody concerned. The new plan eliminates the monthly inventory and sales report for small dealers and marks the abandonment of the often burdensome procedure of formally signing new contracts at the end of each year. Dealers and wholesalers alike are rejoicing over the new arrangement as it frees large numbers of salesmen from routine service duties and enables them to spend more time calling on purchasing agents. (See Fig. 3)

REEL

MOTOR BOOM IS ON AGAIN

DETROIT—The first faint notes of the annual fanfare which heralds the introduction of new models already are reaching out over the nation and the motor metropolis is bolting its yearly feast of expanded payrolls while the bolting is good. (See Fig. 4) Hence attention again is turning to various plans suggested for flattening these seasonal peaks and filling in the valleys. Sales records of the few companies which have consistently introduced new models in late summer and early fall show less pronounced rise in peak months and less drop during dull months, benefiting everybody. Manufacturers' production schedules are stabilized, dealers can stock cars and parts with less uncertainty and workers get steadier employment. The National Industrial Recovery Board, by order of the President, is investigating the situation with a view to stabilizing the entire industry.

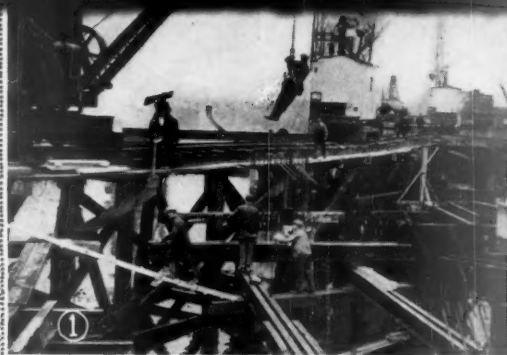
PAYS 300% DIVIDEND

BOSTON—Dividends amounting to 300 per cent of annual investment would gladden the heart of any business house, to say nothing of shareholders. The Retail Trade Board of the Boston Chamber of Commerce during its fiscal year just ended, collected \$17,863.39 in dues from members. It paid out to those members in the same period a total of \$51,000. How? By the sale of waste paper collected from member firms and sold through its Stores Commodity Service. Companies which used to pay good money to have their waste paper hauled away now receive a nice fat dividend check regularly every month.

RECORD SEEN IN MOTOR FUEL

WASHINGTON—A new high for world consumption of motor fuel (preponderantly gasoline) during 1934 is predicted by two experts in the foreign oil department of H. L. Doherty & Co. They estimate total consumption by the end of the year will reach the all-time record figure of 568,128,000 barrels, with the United States burning up approximately 400,000,000 barrels, slightly better than 70 per cent of the total. (See Fig. 5) This is a boost of 28,970,000 barrels over the 1933 world figure of 539,158,000. By increasing our consumption 18,439,000 barrels as estimated, this country would hold unchanged its 1933 ratio of 70 per cent of world consumption.

Photos by Acme



BUSINESS BOOK OF THE MONTH

A Justice noted for his dissenting minority opinions now finds the majority approaching his views

WHETHER by mere circumstance or by design, the mass of New Deal legislation under which business has been operating for nearly a year and a half is still without benefit of blessing by our supreme tribunal. There have been various conjectures to the effect that the NIRA will expire or be drastically amended before coming to the hazard of judgment, or that the emergency itself will have passed, thus leaving the Act and its many corollaries as their own justification. Meanwhile it is a popular indoor sport to speculate upon the probable outcome, should the question come up before the Highest Court for a verdict. Would the Blue Eagle be acknowledged as blood-brother to our national emblem, or would he emerge from such a trial branded as a Blue Illegal?

No one opinion, among the nine, has been so generally discussed as that of Justice Brandeis. This interest was heightened Sept. 14 when General Johnson paused on the threshold of his exit from NRA to declare, "During the whole intense experience I have been in constant touch with that old counselor, Judge Louis Brandeis. . . . He thinks NRA is too big, and I agree with him." There is no record to show that this declaration has been refuted.

RECENT HARMONY

The criticism here attributed to the Justice echoes one of his favorite phrases, frequently used in his

denunciation of the trusts and monopolies on whose affairs he has sat in judgment these many years. It is the phrase chosen as title for the very timely collection of his papers just issued. Many of the venerable jurist's most brilliant opinions were written as minority reports. One suspects that from now on he will be found more frequently on the side of the majority, not through any change in his own position but in a new attitude on the part of business and government towards the principles involved.

The papers reproduced in this volume cover a span of more than 20 years, and practically all of them antedate the new regime. But here will be found prophetic exposition of nearly all the basic principles of New Deal legislation—the privilege of the state to experiment with social and economic problems; the responsibility of industry for its workers; labor's right to bargain collectively, and a similar right for employers, as was exercised, in part, in the formulation of the codes; the curtailment of inequitable trade practices; the wasteful implications of overproduction and the duplication of production facilities; the distinction between wholesome competition and vicious price wars; the regulation of trade in the public interest.

PRACTICALITIES

So much for the fundamental principles. How about their application?

The Curse of Bigness. Miscellaneous papers of Supreme Court Justice Louis D. Brandeis, on Savings-Bank Life Insurance, Industrial Democracy and Efficiency, The Curse of Bigness, Railroads and Finance, Zionism, Public Service, and The Law. Edited by Osmond K. Fraenkel. Published by The Viking Press, New York. 339 pp. \$3.75.



Harris & Ewing

JUSTICE BRANDEIS

Here will be found, also, the majority of the complaints which have been levelled against the actual workings of NRA—the futility of minimum wage provisions as assurance of employment and an income consistent with decent living standards; the protection of small business against the aggression of more powerful competitors; the fallacy of industrial prosperity based primarily on price control; the consumer's right to protection from exploitation at the hands of organized business.

It seems clear that the Judge's fear of bigness would not apply to

the size of any endeavor on the part of the state to correct trade abuses and to regulate industry for the common good. His scruples are based on practical economic grounds. It is his belief that if our national fetish for "bigger and better" business were amended by striking out the first two words, we should have a more efficient and more beneficent commercial structure and with it a better economic and social order.

INEFFICIENT BIGNESS

He contends that in the growth of a plant, the limit of efficiency is reached at a fairly early stage, and that thereafter the disadvantages of size tend to outweigh its advantages. The one great advantage of large physical and financial resources lies in the enlarged opportunities for research and product development, in which the large concern enjoys a legitimate competitive advantage over the small. But he raises the question as to the responsibility of the state, with its even greater resources, toward the whole industrial community, large and small, in this regard.

In the professions—notably architecture, medicine and engineering—the fruits of research and discovery are considered common property and are given the widest possible dissemination in the interests of furthering the art that all may benefit thereby. That principle has been observed by the government in its relation to agricultural enterprise, in the form of highly organized and endowed universities and experiment stations, and a service of information and aid that is available to the smallest practitioner of the business of farming as well as to the man who cultivates his thousands of acres. The theory is that every one is entitled to the best and most advanced knowledge available.

Is it logical to follow an opposite line of reasoning in regard to industrial and commercial pursuits, to limit or even suppress the fruits of research, and to invest them with

private property rights? Or has the state a similar responsibility to use its resources for the benefit of all, to disseminate the latest and most complete information so that competition may be on a more even plane? This sounds very much like a defense of Mr. Hoover's extended development of the Department of Commerce, at home and in our foreign markets—an organization which was ruthlessly dismantled and discarded by the present administration at the very outset of the recovery program.

Bigness, according to Justice Brandeis, is overrated as a sign of efficiency. And competition should be based on efficiency. He cites an impressive list of our very largest

industrial organizations and attributes their bigness to many causes, not including legitimate competition, which is defined as the effort to do something better than some one else, to make or sell a better article, or the same article at a lower cost, or to give superior service.

It is idle to speculate on the hypothetical decision of Mr. Brandeis if, when, and as the new business legislation comes up for test. Even if we could predict it with some accuracy, it would be only one voice in nine. But he does present a stimulating philosophy of business and government which may aid the reader in arriving at his own conclusions.

NEW RUBBERIZING PROCESS DEVELOPED

A TEN year research program, involving the expenditure of a half million dollars, and directed primarily toward the development of a new type wrapping paper for food and kindred products, has resulted in discovery of a rubber treatment adapted to a variety of industrial applications, according to reports by Dr. E. M. Kratz, of Gary, Ind. The processes are held secret, and are at present in the semi-production stage. Among the results to date, Dr. Kratz lists the following:

A method of coating translucent paper with rubber, giving a transparent wrapper that is impervious to moisture, seals itself under heat, is unaffected by extreme cold and indifferent to time.

Rubber as an ingredient for paint that is especially valuable in treating structural steel or water-proofing cement, because it is protection against corrosion and fumes, water, acids and alkalis.

A rubber fabric that can be spun into synthetic cloth with the desired qualities of rubber retained after its physical properties have been changed so that it is chemi-

cally stable, impervious to moisture, fats and oils.

A new fabric for dielectric (insulation) uses, adaptable to radio construction and other purposes.

A rubber for moulding purposes in the fashion of compositions now seen in a multitude of everyday objects, such as pipes, light plugs and ash trays.

BOOSTS FLORIDA FOR WEATHER TESTS

FOR many years, the climate of Florida has been widely publicized from the health and recreational viewpoint. It now appears that these climatic advantages also have their industrial application.

Every purchasing executive is familiar with the exposure tests to which manufacturers of paints and other industrial finishes subject their products as a check against the permanence and durability of the materials and the relative efficacy of various methods of application. The test racks, erected to reproduce extreme conditions of service, are a familiar sight in industrial communities, and many a buyer has his own little roof-top laboratory for comparative obser-

vation of the products which are offered for his consideration.

In a prospectus which adapts the statistics of the real estate promoters for more utilitarian purposes, we learn that "The advantages of South Florida exposure tests are obvious when it is considered that climatic conditions are constant through the entire year. Approximately 1750 hours of ultra-violet per year as compared to less than 35 per cent of this total in many typical industrial or residential sections outside of Southern Florida. It is readily observed that failures occur more rapidly than elsewhere and the type of failure closely parallels that found in actual service in the more temperate zones."

An enterprising testing laboratory, member of the A.S.T.M., and citing an impressive list of clients in the paint, textile, metallurgical, paper and drug industries, thus discloses a new angle of the Florida climate in offering a service including general exposure tests, direct sunlight or under glass, and sea water immersions.

ABSOLVES BANKS IN MONEY CRISIS

"DIFFICULTIES of banks in the period prior to the national moratorium of March, 1933, arose from a combination of facts over which, in large part, bankers had no control," Sterling Newell, counsel for the Cleveland loan agency of the Reconstruction Finance Corp., said recently before the Cleveland Bar Association.

Mr. Newell cited the huge reduction in the amount of paper eligible for rediscount or collateral at Federal Reserve banks, the large profits made by industrial concerns which made it unnecessary for them to borrow from banks, the increase in installment selling, the consolidation of companies with the result that their financial dealings were largely with New York banks, the expansion of real estate loans and an increase in securities invest-

ments by smaller banks as factors which contributed to the "vulnerability" of banks.

"The ruin worked by the depression has affected classes of people who in prior depressions were not forced to make drastic changes in their living standards," the speaker said. "It is, I think, clear that the higher the living standard to which an individual has been accustomed, the less capacity he has to meet the hardships arising from the depression."

"The constant tendency of the civilization developed in this country in the last 50 years has been to diminish the proportion of population equipped to offset the hardships of unemployment by its own capacity to produce the necessities of life."

CODE SEEKS TO CONTROL BUYERS

IT has been an accepted principle of code construction under the NRA to confine the jurisdiction of codes to members of the industry directly governed thereby. Buyers have justly contended that they have no responsibility for code observance on the part of their suppliers except insofar as public purchasing officials are obliged to require a certificate of compliance from those bidding for public business, and this requirement has not been construed to imply an obligation to police the code. Any violations are chargeable only against the supplier.

A movement has now been initiated by Harry Rogen, executive secretary of the National Association of Work Shirt Manufacturers, to reverse this interpretation by implicating buyers under the principle of accessories to the offense. The move is prompted by general disregard of the discount provisions of the code for that industry. The policy of the administration on this point has been clear, and there is no indication that it will be abandoned at this time, but it is a matter of vital concern to every purchaser.

FORBES REVAMPS CITY'S SCRAP SALES

PLANS developed by Dr. Russell Forbes, commissioner of purchase for the City of New York, and E. A. Workman, director of stores in his department, have already resulted in a notable increase in the funds realized from disposal of scrap and obsolete material.

One feature of the new procedure is to substitute sealed bids for some of the transactions formerly conducted as public auctions. The old system was subject to serious abuses, and records indicate that the articles invariably went to favored bidders at low prices, or else the unfortunate outsider who succeeded in outbidding the representatives of the ring was so thoroughly beaten up that he knew better than to attend another auction.

"Now we have knocked the racket out of the selling of city property," says Forbes. "Previously all the material disposed of by the city was sold at auction to the highest bidder. Many prospective buyers would not dare to come to these auctions, for a favored few were the only ones who were considered. If a man insisted on bidding, these cliques would slug him. Now the sales are on the basis of sealed bids, just as when we buy materials."

The auction plan will be continued on some products, but with careful supervision to prevent favoritism, and prices received have been in some cases 50 to 100 per cent better than before.

It is proposed, if budget appropriations permit, to establish a salvage yard for the classification and preparation of scrap iron and other materials under the direction of a salvage engineer who will also act as sales manager.

Among the items disposed of in recent sales are: old fire hose, truck bodies, steel pipe, hoisting machinery, street car rails, granite curbstone, and a dairy herd.

STANDARDIZING THE LANGUAGE OF GRADE MARKING

A STUDY of grades and standards for agricultural and industrial products, recently completed by the Consumers' Advisory Board of NRA, reveals the need of a vigorous and coordinated attempt to arrive at some standard and informative system of nomenclature. Present methods of designating grades apparently have their basis in custom rather than reason, show an utter lack of uniformity, make little or no attempt at any exact definition of quality, and are frequently misleading.

In general, there are eight different systems in more or less common use. The first two are:

- a. *Numerical classification*
- b. *Alphabetical classification*

These designations are the simplest and most logical, provided that they can be correlated with some definite and generally accepted standards of quality.

The United States government has made an effort to substitute the grade terms, No. 1, No. 2, etc., for the mystifying names of the grades for raw cotton, by making the numerical terms the official grade terms, with the old designations, Middling Fair, Strict Good Middling, Good Middling, etc., permitted as alternatives. But the cotton exchanges cling to their old vocabulary and flatly prefer Middling Fair to No. 1, so that the effort to simplify a complicated system of grade nomenclature has not met with great success.

- c. *Adjectives implying degrees of excellence*

Such laudatory adjectives as Prime, Fancy, Special, Choice, Extra-Standard and Super are in wide



AUTHORITY — National Bureau of Standards in Washington met with no success on grade names for cotton

use as grade names. On the surface all appear to carry the same general meaning, but custom seems to have decreed that Prime and Fancy shall mean top grade, and that Choice and Extra Standard shall ordinarily mean second grade. This general rule does not, by any means, apply in all cases. Prime poultry is second to Special. Fancy brooms are second grade. In the State of California the local department of agriculture has established a series of grade names, Colossal, Jumbo, Extra Select, Select, Extra and Fancy for asparagus, based on the number of stalks to the 2-pound bunch.

The word Standard, which naturally in a buyer's mind bears a certain connotation of excellence, is unfortunately in wide use to mark the lowest grade in the field. Third grade canned fruits and vegetables are Standard; fifth grade dried fruits are Standard. Of the

three United States grades for eggs, Standard is the lowest.

- d. *Mixed systems of letters and numbers*

A mixture of A's or X's with numbers has provided grading systems for a number of products. The farther the departure from the simple and unequivocal 1, 2, 3, and A, B, C, the more difficult becomes its understanding by the purchaser. Mirrors have grades AA, A, No. 1, No. 2 and No. 3. A No. 1 mirror might naturally be assumed to be the best on the market and that a buyer might pay a top price for it, all unaware that grades A and AA are made.

Silverware grade terms widely used by manufacturers and wholesalers of silver plate are a combination of X and A, with A-1, the traditional term for excellence, marking the lowest grade.

Combinations of the letter X with numbers are used for grade

names for crude rubbers. Thus the three grades of thin latex crepes are called No. 1X, No. 1 and No. 2; and the five grades of brown crepe are No. 1X, No. 2X, No. 1, No. 2 and No. 3.

e. Scoring systems

The grades given to fruits, vegetables and meats by the Department of Agriculture are based on a percentage scoring system. It is unfortunate that in general the retail markets have provided no means by which the actual score is made known to the consumer.

Butter scoring 92 or more may receive the Department of Agriculture's certificate of quality, and is sold in retail stores as "certified." Except for such butter, the score of butter sold across the counter is not readily available to consumers. Scores are very rarely used as grade terms. There have been suggestions by retail dry goods interests that weighted silk should be labeled with the percentage of metal weighting in it. Such labeling would be a reversed scoring system, i. e. the 10 per cent weighted silk would naturally be considered to be a better quality than the 60 per cent weighted silk.

f. Informative terms

The labeling of fertilizer with the percentage of nitrogen, phosphoric acid and potash contained therein is an example of informative grade marking, which carries through to the farmer-consumer. Almost all the states of the Union have passed laws requiring such labeling of farm fertilizer offered for sale. A series of three numbers, such as 4-12-4 shows the percentage of each of the three important ingredients—4 per cent nitrogen, 12 per cent available phosphoric acid and 4 per cent available potash in this case.

Other commodities in which formula labeling or truly descriptive terms are used to denote varying grades of a product, include bituminous coal, paint, gold-filled and

rolled-gold plate, aluminum ware, and structural clay floor tile.

g. Miscellaneous grade classifications

There are various other ways by which producers, manufacturers and wholesalers attempt to convey some information to the customer regarding the grade of the product. Brand names are frequently used to identify the different quality grades.

Allied in principle to brand names for different grades is a series of names without intrinsic meaning given to the grades of a product by a standardizing agency. An excellent example is found in the standards for hickory shafts for golf clubs established four years ago by the National Bureau of Standards with the cooperation of the golf club manufacturers and distributors. Four grades have been set up, based on mechanical tests for several qualities, the main difference in the four shafts lying in the degree of flexibility of each.

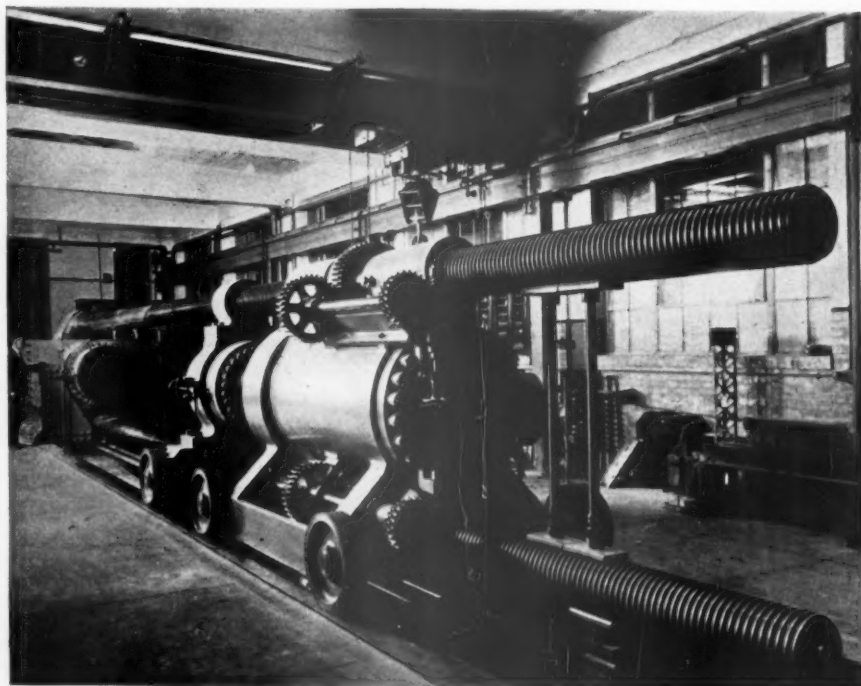
On the ground that there was good reason for avoiding the use of such grade terms as A, B, C and D, which would imply inferiority

in the B, C and D grades, the manufacturers and distributors agreed to call the grades Goose, Owl, Lark and Falcon (the initials of which spell GOLF). The less flexible shafts, Owl, Lark and Falcon, are not designated by grade names that suggest inferiority, and consequently are not rejected by purchasers who might react psychologically against a Grade D shaft while still preferring a fair degree of stiffness in the golf club.

Geographical names are frequently used to connote quality where products from a particular region have attained a reputation. Competition nearly always leads to abuse in such cases, and very often the use of the geographical names becomes meaningless. No one now assumes that all Scotch whiskey comes from Scotland, or that all Boston lettuce comes from Boston.

In some cases state and federal governments are using legal means in an effort to prevent degeneration in the use of geographical names that still have significance as to place of origin.

A form of grade labeling and an approach to consumers' standards is found in the National Bureau



DESTRUCTION FOR IMPROVEMENT — One of the Standards Bureau's mammoth crushers ready for test

Acme

of Standards' development of a self-identifying, quality-guaranteeing labeling plan which is of service both to professional buyers and ultimate consumers. Unfortunately, it is not as yet in wide use. By it, manufacturers affix to their products labels guaranteeing that they conform to certain nationally recognized specifications, including those of the federal government.

Some commercial "Institutes" operated by magazines, daily newspapers, etc., give seals of approval to products meeting minimum standards set by the Institutes. This certification plan is somewhat similar to that offered by the Bureau of Standards, but it gives the public no information as to what the minimum standard is.

h. Price classification

Grading by price classification is a modern development growing out of the comparatively recent policy of one-price-for-all in retailing. It is commonly used in such fields as "women's ready to wear" and allied lines. It is based upon the nominal relationship between quality and price, and the popular willingness to associate these two factors. But without an actual knowledge of intrinsic values on the part of the buyer, it is likely to prove definitely misleading rather than helpful.

Lead pencils are usually graded by price classifications. The custom of a part of the manufacturing industry has been to indicate the retail prices at which the pencils should be sold by such identifying marks as a red band on the metal tip for a five cent pencil, a gold band for a ten cent pencil and a silver band for a two and a half cent pencil. The industry has now made this a permanent trade policy by means of a simplified practice regulation included in its NRA code. Though this system of price classification has one slight advantage over the price classification of women's dresses, in that it permits the manufacturers' grading to be carried through to the consumer, it is fundamentally unsound because

it provides no guarantee whatever to the consumer that the gold, red or silver marking shall be associated with any specific quality of lead, wood or eraser.

A few of these systems of terms are mandatory by law, while others have the sanction of such standardizing agencies as the American Standards Association, the National Bureau of Standards of the Department of Commerce, and the Bureau of Agricultural Economics of the Department of Agriculture. Grades and grade names defined by these agencies are used by common consent. All standards established in this manner are revised from time to time to meet changing conditions.

Other systems of grade nomenclature have the approval of trade associations which have issued definitions of the different grades.

The conclusions of the Consumers' Advisory Board as a result of this study are that a model terminology for grade marking should be established quite independently of any technical grading rules for particular commodities. It is recommended that this project be undertaken by the American Standards Association, in cooperation with commercial, consumer and governmental groups.

The basic principles recommended include:

1. That the standard method should be applicable to a given product both in the stage of its manufacture and its distribution.
2. It should inform consumers, not mislead them or conceal facts by piling up superlatives, by the use of "concealed" top grades, or by similar devices, which the study clearly shows to be characteristic of many of the grading systems now in use.
3. It should be so simple as to be easily understood and remembered.
4. It should be flexible, and easy to introduce and revise.
5. Above all, it should be a language which means the same to buyer and seller.

A PLAN TO REDUCE TRANSPORTATION COSTS

Continued from page 9

upon which the cars are located at the most convenient and economical repair points.

The pool will also make equitable distribution of cars from the pool among the railroads upon the basis of the pro-rate contribution of cars by the roads to the pool. It will also arrange for the retirement and replacement of the cars in such a way that an adequate supply of cars will be insured, and that an orderly and stabilized program of freight car construction will be assured.

Daily car rentals will be collected by the pool from the railroads using the freight cars, if the plan is adopted. The rental charge will be fixed at a figure sufficient to meet the fixed costs of ownership. The costs of repairing the cars and of operating the pool are proposed to be divided among the participating carriers upon the basis of relation which the mileage of pool cars of each railroad bears to the aggregate pool car mileage.

MANAGEMENT

It is proposed that the pool be administered by a Board of Control composed of two members each of the five proposed districts: New England, Eastern, Southeastern, Western and Southwestern, and one member appointed by the Federal Coordinator of Transportation so long as the latter's office shall be continued, and thereafter by the Interstate Commerce Commission. The pool is proposed to be under the direct supervision of a General Manager appointed by the Board of Control, to be located at Washington, D. C. In each of the respective distributive districts the pool is proposed to be managed by a District Manager, located at Boston in the New England district, at Cleveland in the Eastern district, at Atlanta in the Southeastern district, at Chicago in the Western district and at St. Louis

in the Southwestern district. Two District Representatives are proposed to be selected for each of these distributive districts by the participating railroads in each district. One of the district representatives is to be a railroad transportation department officer and one an officer of the mechanical department.

The directors of the Association of American Railroads are proposed to be ex-officio directors of the corporation to operate the car pool.

It is proposed that the district managers will regulate the interchange and distribution of cars among the railroads within their respective districts, while the central organization under the General Manager will regulate car distribution among the districts. The distribution of freight cars among the divisions of participating railroads and among shippers will be handled in the same way as at present by the individual railroads.

The plan of the proposed organization for the corporation suggested for the administration of the car pool is shown in the accompanying diagram.

COOPERATIVE PLANNING

The section of car pooling in formulating the plans and rules for the proposed freight car pool had the benefit of the advice and assistance of two special committees of prominent railroad officers: one a mechanical accounting committee composed of nine railroad accounting and equipment officers, and another a transportation committee consisting of nine railroad freight transportation officers. These committee members were appointed to serve as individuals with the express understanding that they in no way committed themselves nor their companies to the principle of car pooling. The section of car pooling of the Federal Coordinator of Transportation assumes full responsibility for the plan.

As was stated previously, the proposed plan is drafted with the hope that it will be adopted voluntarily

by the railroads and that it will be put in operation in the near future. In submitting the proposal to the Regional Coordinating committees of the Eastern, Southern and Western railroads, the Coordinator stated in part:

"The plan proposed is designed for voluntary and immediate adoption by the railroads of the country upon a practicable basis capable of expansion and improvement until the ultimate development is at length reached. . . The matter is of first rate importance and merits direct handling by railroad executives. . . There are differences in accounting and similar matters, but not in the principles of car supply and distribution. From this point of view, the plan is not an experiment but rests upon the sound foundation of practical experience.

"I commend this report to your very careful consideration, and have no doubt that it will receive such consideration."

The Coordinator has presented in this report a plan which if fully utilized is estimated to yield a possible saving to the railroads of the United States of over \$100,000,000 a year, through:

1. The elimination of cross-haul empty freight car movements.

2. The reduction of empty car mileage necessary in balancing traffic through routing empty cars over short routes.
3. The reduction of the cost of repairing freight cars.
4. Savings in car maintenance through the utilization of economical facilities for repairing pool cars.
5. The reduction of capital carrying charges through decreasing the number of cars required to meet traffic requirements by 10 per cent.
6. Lowering the unit cost of freight cars by stabilizing purchases and further standardizing freight car equipment.
7. Reduction in accounting costs in the settlement of bills for car repairs and "per diem" accounts.

The proposed plan is now before the railroads of the United States for consideration and adoption upon a voluntary basis. The section of car pooling in outlining the plan announced that "some changes in form and detail will be necessary if the plan is to be made effective by a formal order or legislative enactment."

BOOKLETS

C. O. BARTLETT & SNOW CO., Cleveland, has published a bulletin on its new flotation type air filter which employs water and a frothing filter carpet.

APPLICATION bulletin No. 53-116 by the Leeds & Northrup Co., Philadelphia, is devoted to protection against costly overheating of furnace roofs by use of its automatic fuel cut-off.

TIMKEN STEEL & TUBE CO., Canton, O., has issued a master weight table of round steel tubing, giving weights in lineal feet for all sizes of hot-finished and cold-drawn tubing.

BAUSCH & LOMB OPTICAL CO., Rochester, N. Y., manufacturer of optical instruments, has issued a bulletin on polarizing microscopes, describing their use and advantages to be attained from their use. Various types are described in detail and their application listed.

KROPP FORGE CO., Chicago, has issued a leaflet on its forgings, illustrating a number of unusual forms produced in its shops.

LINCOLN ELECTRIC CO., Cleveland, is distributing a leaflet on arc-welded tier buildings, showing method of welding fixed end connections, beams to columns, with illustrations of tests to destruction of beams so welded.

"QUOTATION MARKS"

"**A**LPHABETICAL grading in the food canning industry is impractical, unenforceable, and a step toward quality retrogression. Inability to define flavor adequately constitutes an insurmountable obstacle to the adoption of any effective labeling plan save adequate description on each container. The canners of the country are industry's first line of defense against standardization of all consumer goods." — Frank Gerber, chairman of the Labeling committee, National Canners' Association.

"**P**ROCESSING taxes will stay until a better method is found to obtain a farm parity income. It is generally recognized that farmers are entitled to a fair share of the national income. The processing taxes are an attempt to give this through supplementing the market price on domestic consumption by the tax." — Chester C. Davis, AAA Administrator.

"**B**Y 1938, perhaps even by 1936, industry will be facing the worst shortage of technically trained men it has ever known, and this for all classes and levels of technical ability from coppersmiths, sheet-metal workers, machinists and steam-shovel operators to research men with doctors' degrees." — Dr. Harvey N. Davis, president, Stevens Institute of Technology.

"**P**ROSPERITY is not the result of having either high or low prices. It is the result of a balance in the price structure." — Dr. George Warren, Cornell University, Monetary Adviser to President Roosevelt.

"**L**OWER prices, not higher ones, must pave the road to recovery, at least in the building industry." — O. M. W. Sprague, Professor of Banking, Harvard University.

"**C**RISES are caused by lack of balance between production and consumption. The same fact gives rise to the hope that economic and social balance may be obtained through economic planning, which will reconcile production with consumption." — Prof. Alfons Goldschmidt, formerly economic editor, *Berliner Tageblatt*.

"**I**F a new agency develops which is better than an older one, progress cannot wisely be halted for its protection." — Joseph P. Eastman, Federal Co-ordinator of Transportation.

"**T**HE practice of below cost selling results, of course, either in efforts by the merchant to make up the loss by charging more than a reasonable profit for other articles, or else driving the small merchant with little capital out of legitimate business. It works back against the producer of raw materials on farms and in industry and against the labor so employed." — W. A. Harriman, chairman of the board, Union Pacific Railroad, and Executive Officer, NRA.

"**N**OW that we have emerged from the code-making era, industry needs a breathing spell. Consumers must be given time to adjust themselves to higher costs." — George A. Sloan, president, Cotton Textile Institute.

"**S**HORT of 100 per cent there is practically no limit to the proportion of gasoline which modern and constantly improving equipment and processing can extract from a barrel of crude oil. History has proved that need and price will either produce the required quantity of any product or a substitute for it." — Axtell J. Byles, President of the American Petroleum Institute.

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Tooth that
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WHY CENTRALIZED PURCHASING?

Outlining some of the many reasons for concentrated responsibility in municipal buying

JOSEPH W. NICHOLSON, P. A.

City of Milwaukee

(Concluded from October issue)

THE most important step leading to substantial savings is the grouping of quantities of supplies needed by departments, boards and commissions when requesting bids. By reason of the large quantities purchased or contracted for at a time the purchaser is entitled to substantially larger discounts than those extended on smaller purchases. Furthermore, competition is increased because the size of the contracts make them worth bidding for, thus further reducing costs.

For example, there is a sliding scale of discounts set up by the manufacturers of electric light bulbs. Their dealers will make delivery to any governmental department under a blanket contract. The total amount purchased during the contract year governs the discount which applies. This quantity discount arrangement has proved so attractive that there are now four independent boards and commissions indirectly connected with the City of Milwaukee government which obtain their lamps under the general city lamp contract.

COAL COSTS

Milwaukee uses annually approximately 75,000 tons of coal in all of its city buildings, including schools. This represents a total annual expenditure of about \$340,000. Before purchases were centralized and coal was purchased independently by each using department, board and commission, the low prices extended on quantity purchases were not obtained. Furthermore coal was purchased on the

basis of a price per ton without reference to its fuel value.

The first task which the Central Board of Purchases undertook when it met for the first time in the fall of 1917 was to establish suitable standards for coal so that the right kind of fuel would be supplied for each individual requirement, as well as to provide for its purchase on the heat unit basis. This was accomplished through the cooperation of wholesale coal dealers and heating engineers. Bids were then requested on the basis of the total tonnage for the year, much of it to be delivered at the convenience of vendors during the summer months, when their trucks would otherwise be idle and which provided a further inducement for the lowering of prices, the balance to be delivered as needed during the period of a year.

Arrangements were made to sample each delivery so that at the end of each month, the city chemist could analyze the aggregate monthly deliveries made to every delivery point and the coal could be paid for on the basis of its actual heat value. This truly scientific and economical method of purchasing fuel is a most striking illustration of the advantages of centralized purchasing.

SIMPLE STANDARDS

Centralization of purchases facilitates the standardization and simplification of purchases, or the reduction of many kinds and descriptions of articles to a few. Articles

used for similar purposes are made as similar in characteristics as possible by means of definite specifications which are the outgrowth of standardization. They can be purchased in quantities and if a municipal storehouse is available can be stored therein awaiting the time when they will be used by departments.

In connection with standardization of articles and the simplification of their description, the knowledge, experience and facilities of city department heads, engineers, chemists, technicians and other employees of the city government are utilized. Moreover, it is the practice before standards and specifications are definitely adopted to consult with manufacturers and dealers so that manufacturing customs and trade practices can be followed to the fullest extent.

As an illustration, prior to the centralization of purchases for the City of Milwaukee, a large number of different kinds of cleaning powder were used, ranging in price from 12 to 17 cents per pound. After a number of tests were made a simple specification was drawn which provided for material suitable for general use in all departments. This material was then purchased in 100-pound kegs labeled "City of Milwaukee Cleaning Powder" and was sold to the city in 20 to 50-keg lots at from 3½ to four cents per pound, depending upon market conditions.

It might be argued that the special trade-named cleaning powders previously used would do the work

more effectively than the specification material, but it can readily be seen that this argument will not stand in the face of facts. Chemists' analysis of the various trade named brands showed that all of them had as their foundation a simple chemical product, namely trisodium phosphate, ground fine. Some had added a little soda ash, some inert materials, and others, coloring matter. While the soda ash is a cleaning agent, it is not as effective as the trisodium phosphate and the inert materials and coloring matter did not add anything to the cleaning properties.

Milwaukee saved \$23,993 by re-advertising a \$350,000 water pipe contract. What was apparently an attempt to establish a high price for cast iron pipe in Milwaukee in order that the same high price could be obtained in other parts of the country, was successfully prevented by the re-advertising for bids for 8500 tons of water pipe. The bids which were rejected were on the average of \$9.55 per ton higher than the price of the previous year's contract.

The new bids were found to be 15 per cent or \$16,719.30 below the previous bids and in addition a cash discount of 2 per cent was required by the city specifications and granted by the bidders which further reduced the cost of this pipe by \$7274. Without centralized purchasing, it is doubtful whether this saving could have been made inasmuch as purchasing as a part time job for the head of a department or an assistant is not likely to be conducted on a scientific basis because of the fact that sufficient time could not be devoted to the work, nor would the volume of purchases warrant the time necessary to keep abreast of market conditions. Interest in the work would be lacking so that buying technique would not be developed.

MARKET TRENDS

One of the main duties of purchasing officials is to watch the trend of markets so that purchases

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**JUST PRESS THE KEY
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Merely press down the proper zone key and a shutter reveals the precise postage. When the package is removed from the platform the shutter automatically closes, clearing the dial for the next weighing. No computing for your shipping clerk. The old type fan dial with its 630 confusing figures is entirely eliminated.

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can be made at the most opportune time. Some purchasing agents maintain their own charts of market conditions affecting particular commodities of which they purchase unusually large quantities. Others subscribe to regular commodity reporting services which furnish them with up-to-date market trends and prices and supply special information regarding certain commodities upon request.

The purchasing agent who is in possession of the facts relating to the quantities and kinds of commodities purchased annually by all departments can anticipate the needs of departments and in so doing he can take advantage of special low market conditions, not only reducing the cost per unit but avoiding the rush of emergency orders and unnecessary delay. This insures better delivery and eliminates the expense of shipping goods by express.

A central storehouse facilitates this method of purchase where the

character of the commodity is such that it can be readily stored and re-delivered without deterioration or other loss. Where the commodity is such that it does not pay to store and re-deliver it, term agreements can be made when prices are low for deliveries to be made direct to departments during a certain period of time at firm prices.

PROMPT PAYMENT

In the "good old days" when vendors had to wait from six months to a year for their money after having made a sale to a municipality, considerable dissatisfaction resulted so that when subsequent sales were made 10 per cent or more was added by the vendor in making quotations to the city to compensate him for the loss of the use of his money. Mere interest of 6 per cent per annum would not be sufficient to compensate him inasmuch as in order to stay in business he must turn his capital

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A Reference Book for Use in the Selection and Packing of Corrugated Boxes

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BRANCH OFFICES IN PRINCIPAL CITIES

over many times during the period of a year.

The withholding of payment for services rendered or goods delivered by small concerns is a serious matter. Centralized purchasing therefore includes the problem of promptness in the payment of bills and it is the duty of every purchasing agent to see that they are promptly paid after goods are delivered and inspected. While the paying of bills is a fiscal function the purchasing department should work hand in hand with the comptroller's department in seeing that receiving departments sign up promptly for goods delivered.

A campaign was started in Milwaukee to encourage vendors to quote cash discounts for the prompt payment of bills and every quotation that was sent out carried the legend that unless otherwise specified by vendor, a two per cent cash discount would be taken by the city if the bill was paid within ten days after receipt and acceptance of goods. This resulted in an increase of cash discounts to a high point in 1931 of \$52,000.

CODE COMPLICATIONS

The codification of industry by the National Recovery Administration has provided a maze of new federal laws, rules and regulations, all of which affect to varying degrees every commodity on the market today. Were the purchasing of supplies vested as a part-time job in a number of employees of individual departments instead of a central purchasing department, it would be impracticable for each one to follow the daily changes in economic conditions brought about by the NRA. Moreover the value of centralized purchasing cannot be underestimated when it is considered that the experience of governmental purchasing agents with codes led the President of the United States and General Hugh S. Johnson to issue two orders, the first for the purpose of restoring competition on public bids and the second to avoid conflicts of code provisions with long established

laws and rules of procedure governing public bidding.

Had it not been for the study of the effect of codes on public buying and the subsequent issuance of these orders, American cities would have been forced to pay \$140,000,000 per annum more than they would were there no codes. How much more will be paid under these new orders is problematical.

However, substantial reductions below filed prices up to the 15 per cent discount permitted under the President's order above mentioned have resulted, and competition has been restored to some extent, thereby eliminating the illegal and offensive method of awarding contracts by lot because of the uniformity of bids.

BUDGET COOPERATION

It is the rule of the City of Milwaukee to obtain the O.K. of the city comptroller on all purchases before issuing orders to insure funds being on hand to meet the expenditure. Thus departmental budgets are never exceeded and the money is expended for the purposes intended in the budget. The purchasing agent can assist in budget-making by checking estimates presented by department heads against previous purchases and advising whether they are sufficient, inadequate or too high for the article to be purchased.

Centralized purchasing affords an opportunity to compare values offered on bids. Motor trucks for example, can be purchased on the basis of quality and performance. The vital parts of which a motor truck is composed can be compared unit for unit and a rating given each truck on the basis of this comparison. This taken together with the quality of engineering and workmanship exhibited in the truck, road performance, plus the elements of past experience, responsibility and competency of bidders, affords an excellent method of purchasing this equipment.

Through the Governmental group of the National Association of Pur-

chasing Agents information is exchanged on problems relative to governmental buying. This coordination of the experiences of governmental purchasing agents is invaluable in developing the best methods and practices. It is very helpful to new men in the field to find that the most difficult problems have been solved. These contacts are invaluable in determining the competency of a bidder, as many commodities are purchased by all governmental men dealing direct with the same National concerns.

REASONS WHY

In a recent article, a purchasing agent for industry listed one hundred and forty reasons for a purchasing department. I have illustrated a few which apply particularly to governmental buying. I believe that you will agree that this is not a fad or theory but is a scientific and economical means of saving money for the taxpayer. When it is considered that governments spend over one billion dollars per year for supplies or about 20 per cent of the annual budget of each governmental unit, any system which would save 15 per cent on these purchases is worthwhile and should be encouraged. This saving could be used in reducing taxes, purchasing additional supplies or it could be made available for material relief for the unemployed.

When your city adopts centralized purchasing, you will need a purchasing agent. The following classic description may help you in making your selection:

"The typical purchasing agent is a man past middle life, spare, wrinkled, intelligent, cold, passive, non-committal, with eyes like a cod-fish, polite in contact, but at the same time unresponsive, cool, calm and damnably composed as a concrete post or a plaster-of-Paris cat; a human petrification with a heart of feldspar and without charm or friendly germ, minus bowels, passions or a sense of humor. Happily they never reproduce and all of them finally go to hell."



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virgin nickel. This is melted in a modern electric furnace and poured under accurate pyrometric control — after which the mix is tested in the laboratory for crystallization. Every anode has a fine grain structure of correct analysis and will stay on the hook until complete corrosion has taken place. If you are not obtaining full service from your anodes, send us one for free metallurgical and physical examination. (Seymour Anode Book on request.)

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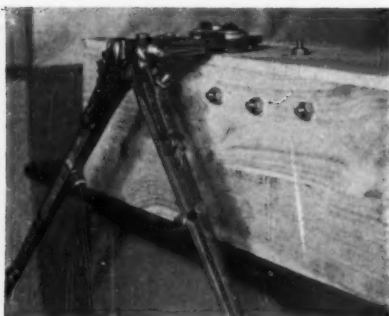
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Foundrymen were amazed at the demonstration of the splitting and working qualities of this almost pure Silica Rock, from which are made *Sawed Stone Cupola Blocks, Split Rock Linings* and other refractory products.

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NEW PRODUCTS & IDEAS



**SWIVEL
HEAD
CUTTER**

No. 23

AN ingenious but simple device has made the standard bolt clipper a tool practically universal in its application.

This swivel head cutter works equally well up or down, right or left, behind or before, in or out, because the cutting head swivels to any angle on either side of the handles (from nothing to a right angle). This tool works just as effectively in any of these positions as does the rigid type tool. A special section joined by a ball and socket joint, with a shoe for holding the cutterhead and a positioning spring to hold the head in the desired position, are all the changes employed. The shoe will hold any standard head of a given size, clipper cut, center cut, chain cutter, nut splitter, etc.



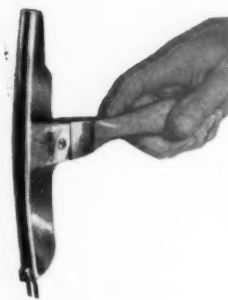
**TWIN
FILTER
MASK**

No. 24

NEW low-priced dust respirator, called the MSA Comfo-Respirator, uses twin filters carried on either cheek. This results in two advantages: first, the filters have been removed from the path of the moisture-laden exhaled air; and second, the filter area

is greatly increased. The unusually large filter area, combined with the use of special filter material, scientifically treated to stop microscopically-fine dust, give exceptionally high protective efficiency, low breathing resistance and long filter life.

The respirator is especially designed to remove workmen's characteristic objection to dust respirators on the score of discomfort. It is extremely light in weight (less than 5 ounces), easily and quickly adjusted, does not interfere with vision or the wearing of goggles, etc., and places no hardship on breathing.



**AUTO-
LOADING
HAMMER**

No. 25

FROM an internal magazine that holds a clip of 50 staples (or tacks), this hammer feeds tacks mechanically to the face of the hammer where they are held in position until driven.

With this mechanical hammer, tacks can be driven, using only one hand, as fast as the operator wishes to work. As each tack is driven, the next one is rotated into driving position by "cocking" the hammer, which is a simple wrist pressing movement of the hammer itself against the working surface.

Fast work without fatigue because the hammer even when loaded is light and well balanced. In action it is similar to the magnetic hammer, abolishing however, the awkward and dangerous practice of holding tacks in the mouth and feeding to the hammer face with the other hand.

SELF-COOLING CUTTERS

No. 26

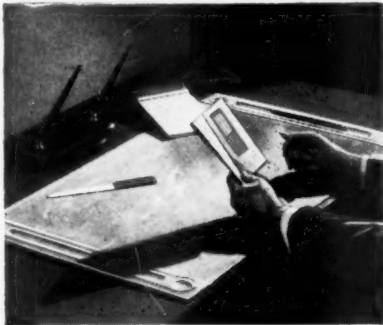
CUTTING machines unique in the method used for supplying the cutting disc with a liquid coolant have been developed. The disc by its own speed collects the proper amount of coolant and directs it against and into the cut being made. Continuous and uniform quantities of liquid are assured, resulting in equal wear on both sides of the disc, longer disc life, elimination of burning or surface hardening, improved finish on cuts, and reduction in cutting costs. Cuts

For complete information on these products, place numbers of products in the spaces below, clip coupon and mail to this magazine . . .

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materials such as alloy steels, non-ferrous alloys, plastics and many other materials in solid bar up to three inches in diameter or tubings up to three and one-half inch diameter.

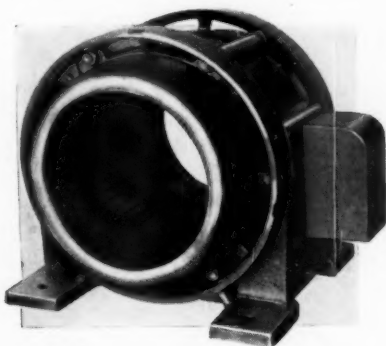
Made in two models, the work clamp on one is operated by foot treadle, and the other has an automatic electrically operated clamp. Both models have pedestal bases and all moving parts are protected yet easily accessible.



**"NO-BLOT"
DESK PAD**

No. 27

A CHICAGO manufacturer has announced an indestructible, permanent, "no-blot" desk pad made of a special composition rubber as a base and designed to eliminate the many petty annoyances of the ordinary desk pad. It provides a smooth, resilient writing surface which holds a single sheet of paper without slipping and without the glare of plate glass. The pad is flexible and holds its position on the desk. Channels at either end provide parking space for pens, pencils and paper knives. Lighted cigarettes and cigars will not mar the surface and the pad can be kept clean with the occasional application of a damp cloth. The surface is completely non-absorbent and cannot be disfigured by ink or other liquids. The pad is obtainable in three colors, mahogany, mottled green and white, and walnut.



**DUST
PROOF
MOTORS**

No. 28

THE new squirrel-cage motors introduced by a Wisconsin manufacturer are of open type construction, with permanent coil protection. Hard, smooth, bakelite shields are sealed over the stator coils giving protection against metallic dust, grit, oil, moisture, mild acids and other agents injurious to insulation. They are built in ratings up to 25 h.p. 1800 r.p.m. and



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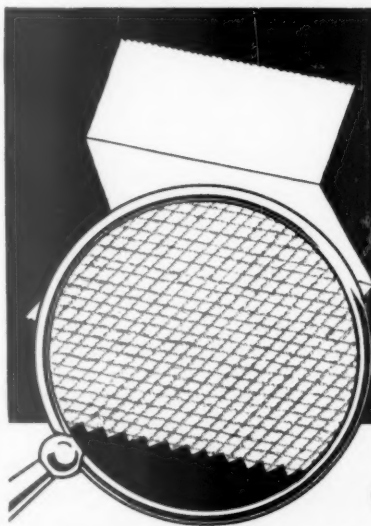
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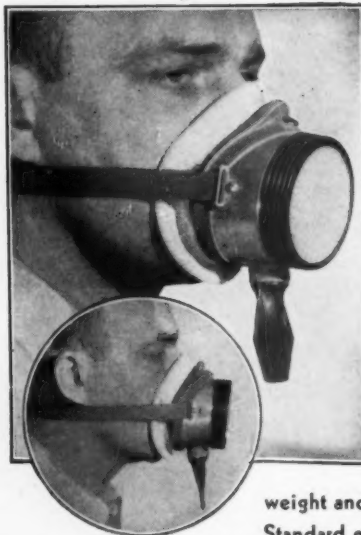
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suiting to a much broader range of application than the ordinary open motor. The motors have cast-steel frames; twistless and distortionless stators; silver-brazed, indestructible rotors; oil and dust-tight sleeve or anti-friction bearings.



POCKET TAG FOLIO

No. 29

TO make the tag-buying problem an easier one for the purchaser, a Midwestern company catering to manufacturers and other shippers, has prepared a pocket-size portfolio which it is glad to place in the hands of every buyer of tags.

With the use of the fewest possible number of words, the portfolio succeeds in being as complete on the subject of tags as any promotional piece issued to date. There are actual samples of 22 different grades of tag stock, a table of standard tag sizes, at least 25 different colors of stock sampled. In addition, there are actual samples of two grades of tag wire, six different grades of string, and eight different colors of string.

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A M E R I C A ' S F I N E S T O C E A N F R O N T H O T E L

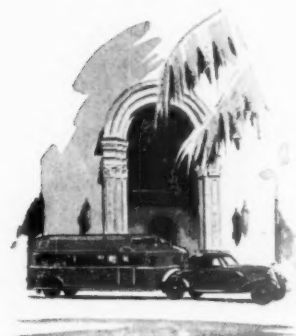
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moods on a private, tropic beach . . . or swing gracefully into the full cadences of resort activities, from horse racing to Gulf Stream fishing. The Roney Plaza's extraordinary vacation facilities include special guest membership in the Roney Plaza Cabana Sun Club, Miami Biltmore Country Club and Key Largo Anglers Club . . . with complete transportation services by aerocar, autogiro or sea-sled to all interests in this land of winter play.

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